

LAW OFFICES
SMITHWICK & BELENDIUK, P.C.

5028 WISCONSIN AVENUE, N.W.

SUITE 301

WASHINGTON, D.C. 20016

TELEPHONE (202) 363-4050

FACSIMILE (202) 363-4266

WWW.FCCWORLD.COM

GARY S. SMITHWICK
ARTHUR V. BELENDIUK

DIRECT DIAL NUMBER:

(202) 3634559

E-MAIL ADDRESS:

abelendiukk@fccworld.com

RECEIVED

MAR 17 2003

Federal Communications Commission
Office of Secretary

COUNSEL

WILLIAM M. BARNARD
JAMES K. EDMUNDSON
ELLEN MANDELL EDMUNDSON

March 17, 2003

Ms. Barbara A. Kreisman
Chief, Video Division
Media Bureau
Federal Communications Commission
445 12th Street SW
Room 2-A666
Washington, D.C. 20554

Re: Applications for Transfer of Control of Hispani Broadcasting Corp., and
Certain Subsidiaries, Licensees of KGBT(AM), Harlingen, Texas *et al.* (Docket
No. **MB** 02-235, FCC File Nos. BTC-20020723ABL *et al.*)

Dear Ms. Kreisman:

On behalf of the National Hispanic Policy Institute, Inc. ("NHPI"), this letter responds to the letter sent by counsel for Univision Communications, Inc. ("Univision") dated March 11, 2003.¹ Univision was responding to your letter of March 10, 2003 requesting additional information concerning the shareholder rights that Univision will hold in Entravision Communications Corporation ("Entravision") should the FCC approve Univision's proposed merger with Hispanic Broadcasting Corporation ("**HBC**").

This is the second time that the Chief, Video Division has requested that Univision provide detailed information concerning its present and proposed relationship with Entravision. This is the second time that Univision has refused to be fully forthcoming. By failing to provide adequate information, the Commission must now designate the applications for an evidentiary hearing to determine whether or not the proposed merger is in the public interest.

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¹ Univision's letter was served on counsel for "**PI**" on March 12, 2003 and therefore this response is timely filed within the three days required by the Chief, Video Services Division.

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The letters of November 29, 2002 and of March 10, 2003 from the Chief, Video Services, requested specific information so that the Commission's staff could determine whether Univision's proposed future interest in Entravision would be attributable. In the November 29, 2002 letter, the Chief, Video Division asked Univision to provide a detailed showing demonstrating its compliance with the Commission's Equity/Debt Plus Rule ("EDP").²

The March 10, 2003 letter was sent after Univision, on February 27, 2003, filed an amendment to its application claiming "Univision has reached an agreement with the United States Department of Justice ("DOJ") pursuant to which the DOJ will not object to Univision's acquisition of ..HBC." No copy of any agreement with the DOJ was submitted to the Commission. An Univision press release merely stated that a "tentative agreement" had been reached. At this time it is unclear what if any agreement has been reached with the DOJ. Supposedly, the agreement with the DOJ requires Univision to convert all of its shares of capital stock in Entravision into a new class of non-voting preferred stock. According to Univision, the preferred shares will have certain rights including the right to approve: (1) a merger, sale, liquidation, or winding up of Entravision, and (2) the sale by Entravision of any television station affiliated with a Univision-owned network. In addition, according to Univision, the DOJ will require it to sell a portion of its Entravision stock so that Univision's ownership of Entravision will not exceed 15% at the end of three years, and 10% at the end of six years.

The question before the Commission is whether Univision's proposed future interest in Entravision and Clear Channel Communication, Inc.'s ("Clear Channel") future interest in Univision are attributable within the meaning of the Commission's rules and policies.

In determining whether an interest is attributable, the Commission seeks to determine whether the rights or relationships it confers will allow the holder to influence the core operations of the licensee such that it should be subject to the multiple ownership rules.³ "A finding necessary for attribution relates to the finding of control or influence over the core operations of the licensee."⁴ While in furtherance of its objectives the Commission has set bright-line tests: it also has articulated the need to assess the cumulative effect of all relevant factors, interlocking interests and multiple relationships, so as to determine whether an investor holds an attributable interest. *See e.g., BCC License Subsidiary L.P.*, 10 FCC Rcd 7926, 7933 (1995); *Univision Holdings, h.c.*, 7 FCC Rcd 6672, 6677-78 (1992).

² 47 C.F.R. §73.3555, Note 2(i).

³ *Review of the Commission's Regulations Governing Attribution of Broadcast and Cable/MDS Interests*. 14 FCC Rcd 12559, 12581 (1999).

⁴ *Id.* at 12580.

⁵ *See*, 47 C.F.R. §73.3555, Note 2(i).

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In addition to the ability to influence a licensee, the Commission also examines the extent to which an investor can control a licensee. While there is no formula for evaluating whether a party is in *de facto*, or actual control: the Commission **looks** to whether a party has obtained the right to determine the basic operating policies of the station, that is, to effect decisions concerning the personnel, programming or finances of the station.⁶

Based on the cumulative effect of the relationships, both as they exist today and as proposed, between Univision and Entravision on the one hand, and Clear Channel and HBC on the other, can the Commission reasonably conclude that Entravision's radio stations will compete with HBC's radio stations? Can the Commission likewise conclude that Clear Channel's stations will compete with either HBC's or Entravision's radio stations? Looking at the relationship among Clear Channel, HBC, Univision and Entravision, the answer is no. If the proposed merger is granted these entities will not compete. Stated another way, the parties, especially Clear Channel and Univision, will exert significant influence over the core operations of HBC and Entravision.

As detailed in NHPI's Petition to Deny, Entravision is heavily dependent on Univision and will continue to be so if the proposed merger is approved. Nothing Univision has proposed to do will change that relationship or diminish its significant influence over the affairs of Entravision.

Entravision owns and/or operates Univision affiliated television stations. Entravision's television operations represent the largest affiliate group of the Univision network.⁸ Of the 55 television stations it operates only 4 are not affiliated with Univision. Entravision's Chairman and Chief Executive Officer in his annual letter to shareholders set forth Entravision's business plan as follows:

Television will continue to be our core business. We plan to continue to grow our Univision and Telefutura audience bases by acquiring stations in cities with significant Hispanic populations that are not currently served by Univision or Entravision. In radio, we are focusing on additional acquisitions in the top-20 U.S. Hispanic markets

⁶ See, e.g., *Stereo Broadcasting, Inc.* 55 FCC 2d 819,821 (1975).

⁷ See, *WHDH, Inc.*, 17 FCC 2d 856 (1969), *aff'd sub nom. Greater Boston Television Corp. v. FCC*, 444 F. 2d 841 (D.C. Cir. 1970). *Accord, Space Station System Licensee, Inc.* 17 FCC Rcd 2271,2283 (2002) (The analysis of whether an investment protection provision grants the minority owner the power to control is a fact-based inquiry with no precise formula for evaluating all factors.)

⁸ Entravision, SEC Form 10K for the period ended December 31, 2002, p 10 of 134. The relevant portions of Entravision's 10K are attached hereto as Exhibit 1.

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and in markets where we already own Univision-affiliated television stations!

In addition to Entravision's network affiliation agreements, Univision has ~~the~~ exclusive right to sell national advertising on behalf of Entravision. As Entravision states:

National advertising revenue represents commercial time sold to a national advertiser within a specific market by Univision, our national representative firm. For these sales, Univision is paid a **15%** commission on the net revenue from each sale (gross revenue less agency commission). We target the largest national Spanish-language advertisers that collectively purchase the greatest share of national advertisements through Univision. The Univision representative works closely with each station's national sales manager. This has enabled us to secure major national advertisers, including, Ford Motor Company, General Motors, Nissan, Toyota, McDonald's, Burger King and Verizon. . . . In **2002**, national advertising accounted for approximately **46%** of our total television revenue."

Univision does not propose to terminate this arrangement if the FCC grants the proposed merger.

Entravision is not a financially healthy company. As Entravision states in its 10K, "we have a history of losses." In addition Entravision has a substantial level of debt. As of December **31, 2002** Entravision had approximately **\$291** million of debt outstanding." As Entravision states "Our substantial indebtedness could have important consequences to our business, such as . . . placing us at a disadvantage compared to those of our competitors who have less debt."¹³ Entravision's ability to survive depends on its ability to continue generating advertising revenues. "Cancellation, reductions or delays in purchase of advertising could adversely affect our revenue... Our expense levels are based, in part, on expected future revenue and are relatively fixed once set. Therefore, unforeseen fluctuations in advertising sales could adversely impact our operating results."¹⁴

⁹ Entravision 2001 Annual Report, portions of which are attached to "P I Petition to Deny, exhibit 3

¹⁰ Entravision 10K p. 16 of 134.

¹¹ Entravision 10K p. 38 of 134.

¹² Id.

¹³ Id.

¹⁴ Entravision 10K p. 40 of 134.

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In the broadcasting business ratings and revenues tend to move in tandem. Entravision's relationship with Univision is critical because "of the strength of the programming supplied to us by Univision, each of our stations broadcasting Univision's primary network is ranked number one in its market among Hispanic adults."¹⁵ As Entravision states *"Our television ratings and revenue could decline significantly if our affiliation relationship with Univision or Univision's programming success changes in an adverse manner."*¹⁶

If the proposed merger is approved will Univision, as a 10% non-voting shareholder, be able to control Entravision's revenues? Let's say, for example, that post-merger Entravision's radio stations, in fact, are fiercely competing with Univision's newly acquired HBC stations. Will Univision be able to apply economic pressure on Entravision to get it to start cooperating rather than competing? Stated another way will Univision be able to cut-off Entravision's revenue and thus strangle its new competitor? Univision has the exclusive right to sell national advertising on behalf of Entravision. It can simply stop placing advertisements on Entravision owned or operated the stations. Since national advertising represents a significant percentage of Entravision's revenues, Univision by controlling the flow of national advertising revenues can control Entravision. Univision also has the power to grant or withhold additional network affiliation agreements. If Entravision wants to grow as a company it must cooperate not compete with Univision. Finally, Univision has the right to approve the sale by Entravision of any Univision network affiliated station. Thus if Entravision needs to sell a television station for financial or other reasons it will not be able to do so unless Univision approves. These cumulative rights give Univision complete control of Entravision's finances."

It is unlikely that Entravision will ever try to bite the hand that feeds it. Perhaps the more pertinent question to explore is whether there is any evidence that Univision, in the past, has exerted inappropriate or anticompetitive influences on the operations and business of Entravision. Attached hereto, as Exhibit 2, is the declaration of Mirta de Armas. Ms. De Armas was Media Manager for Telemundo Network Group. Ms. de Armas states that when she "began as Telemundo Media Manager in September 2000 the rep firm Caballero Spanish Media told me that Telemundo could not advertise on the Entravision Holdings LLC Denver radio stations..." Telemundo was permitted to

¹⁵ Entravision 10K p. 17 of 134.

¹⁶ Entravision 10K p. 40 of 134, emphasis in the original.

¹⁷ *Compare, National Broadcasting Company, Inc.* 6 FCC Rcd 4882 (1991). The *NBC* case was cited by Univision in its March 11, 2003 letter for the proposition that a network's combination of a forty-nine percent equity interest along with its provision of programming did not create an attributable interest in the licensee of an affiliated station even where the network also retained a veto power over various business transactions. Univision fails to mention that the Commission found the point was moot since *NBC's* interest in the television station, whether attributable or not, did not violate the Commission's multiple ownership rules. Nonetheless, the facts presented in the *NBC* case are significantly different from those presented in this case. There is no indication that *NBC* as a minority shareholder would have the kind of rights to control the operations and finances of the station that Univision proposes for itself.

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advertise on Entravision stations during September and October **2001**. However, during the November 2001 sweeps Telemundo was not allowed to place its adds on Entravision stations. **"LER** [the rep firm] stated to me that Univision had been responsible for the decision to remove our advertising from the Entravision stations during the sweeps because Telemundo was a television competitor." This stunning declaration shows the extent to which Univision is able to control Entravision. Univision supposedly has nothing to do with Entravision's radio stations, yet Univision can order Entravision not to run a competitors advertising.

Ms. De Armas' experience is only part of a pattern of abuse which can be explored at hearing. For instance, it is well known in the Hispanic communications community that Univision denied advertising on its network from internet portal companies so as to allow Univision itself, to develop and launch its own web portal! In addition, at least one prospective television station purchaser was told by Univision not to negotiate further because Univision would cancel its programming affiliation. When the transaction was aborted, Entravision, with money it borrowed from Univision, itself purchased the Latin Communications Group, Inc. stations in **question**.¹⁹ These past actions show that with or without right of control, Univision will continue to influence Entravision in a significant way.

If Univision and HBC are permitted to merge the abusive behavior will likely increase. Clear Channel's past abusive conduct sheds light on what the Commission can expect in the future.²⁰ If the merger is approved, Clear Channel will be one **of** Univision's largest shareholders. It is supposedly a passive investor in HBC. Yet there is ample evidence that Clear Channel has been far from passive. In its Petition to Deny NHPI attached the Complaint of Spanish Broadcasting System, Inc ("SBS") filed in United States District Court, Southern District of Florida against Clear Channel and HBC. The

¹⁸ See Exhibit 3.

¹⁹ See Exhibit 1 pages 114 of 134.

²⁰ Initially, the Commission approved Clear Channel's equity interest in HBC, finding that on paper the provisions mirror those the Commission has approved in the past. *Shareholders of AMFM, Inc.* 15 FCC Rcd 16062, 16078 (2000). However, in practice Clear Channel has far exceeded what is permitted of a passive non-voting shareholder. As such, its interest in HBC is attributable. See *Telemundo Communications Group, Inc.* 17 FCC Rcd 6958, 6974 (2002). Univision attempts to make much of the *Telemundo* decision. However, it fails to note some important distinguishing factors. First, there was no affiliation at issue in the earlier case, while in this proposed merger, affiliation programming is at the heart of the transaction. Moreover, it is the prospect of Spanish-language programming that distinguishes the instant case ~~from~~ each of the cases Univision cites. There is significantly more non-Hispanic network-type programming that is available than programming from Hispanic sources. Indeed, there is no truly viable Hispanic programming source other than Univision. Further, the relationship between Univision and Entravision has existed well before the merger was proposed, while the cases Univision cites for support included no such history among the parties. The nexus between Univision and Entravision is entrenched, not only as demonstrated in SEC filings, but through the historical nature of their relationship, and the abuses will continue with or without DOJ approval. Unlike NBC in the *Telemundo* case, Clear Channel has repeatedly attempted to conceal from the Commission the true extent and nature of its relationship with HBC.

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facts alleged in the Complaint show that Clear Channel exercises significant influence over the management and operations of HBC. Neither Clear Channel nor HBC have denied the factual allegations in that Complaint.

One of the allegations in the Complaint is that Clear Channel sought to deny SBS, a minority broadcaster, access to capital markets. Allegedly, Clear Channel principals attempted to stop SBS's initial public offering. When that failed they actively worked to depress SBS's stock price." The proposed merger, if permitted, will have a significant impact on competition, especially on small and/or minority owned businesses. The evidence suggests that Clear Channel and Univision will use their combined market power to deny Hispanic owned competitors entry into the broadcast business. They will, as they have in the past, work to deny a Hispanic owned businesses access to capital markets. They will deny competitors access to radio, television and newspaper advertising. They will keep competitors off of Clear Channel owned billboards and out of Clear Channel operated concert halls. In short, the combined Clear Channel/Univision juggernaut will use its market power to deny new entrants a fair opportunity to compete. Such conduct is contrary to the Commission's well-established policy of promoting localism, diversity and competition in the media.

Based on the tentative agreement with the DOJ, Univision proposes to convert its Class A and Class C shares to Class B preferred shares. While the new Class B shares are designated non-voting, Univision will have certain veto rights, including the right to approve the sale of Univision affiliated television stations. The DOJ also required Univision to reduce its equity stake in Entravision from approximately 31 percent to 10 percent within six years. The Commission's EDP rule provides that where an interest holder is a program supplier or a same-market broadcaster and the equity and/or debt holding exceeds 33 percent the interest is attributable. In this case Univision claims that it holds about a 31 percent equity interest in Entravision. It proposes to convert its interest into non-voting shares and therefore under the Commission's EDP rule its interest should be treated as non-attributable.

The DOJ, however, is requiring Univision to reduce its non-voting interest from 31 percent to 10 percent. Such a finding by the DOJ is *prima facie* inconsistent with the Commission's EDP rule. That is, the DOJ found that Univision was able to exert significant influence over Entravision, even as a non-voting shareholder. The DOJ must have found that the influence or control that Univision had over Entravision was potentially anticompetitive." Before it would approve the merger the DOJ required Univision to agree to significantly reduce its equity stake in Entravision. Univision has not

²¹ Depositions were taken of Clear Channel principals in that proceeding. Clear Channel should be required to produce copies of these depositions.

²² It is alarmingly disingenuous for Univision to claim that this inquiry somehow will hinder the growth of "fledgling networks." In point of fact as Exhibit 4 shows, in the top ten Hispanic markets Entravision and Hispanic Broadcasting Corporation totally dominate radio revenues.

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submitted into this record the DOJ agreement or the underlying documents it provided to the DOJ. These documents are relevant to the Commission's inquiry of whether the cumulative effect of the relationships between Entravision and Univision will violate the Commission's EDP rule. One agency of the federal government has found that a relationship, which, on paper, meets the EDP rule, would be anticompetitive. The FCC standard is different from that of the DOJ. The FCC merely seeks to determine whether Univision will be able to influence the core operations of Entravision. The DOJ concluded that not only will Univision be able to influence Entravision's operations; it will be able to direct Entravision to act in an anticompetitive manner. The declaration of Mitra De Armas fully supports this conclusion. It is vital that the Commission and NHPI have an opportunity to examine all the underlying documents the DOJ relied on in reaching its conclusion.

Assuming, *arguendo*, that Univision is permitted to retain a 10percent interest in Entravision the question then becomes whom will Univision sell its remaining 21 percent interest to? On February 27, 2003, the same day Univision filed its amendment and issued its press release announcing that it has reached an agreement with the DOJ, Memll Lynch issued a report on Univision entitled "DOJ Approval Attained."* The report claims that several potential suitors will emerge for Univision's stake in Entravision, including Televisa and Clear Channel. Both Televisa and Clear Channel have significant ties to Univision and therefore a significant interest in acquiring Univision's stake in Entravision. If the merger is approved, Clear Channel will hold a 7.6 percent equity interest in Univision. Grupo Televisa, S.A. is the second largest shareholder of Univision with 5.45 percent of the voting rights. Thus it appears that ultimate control of Entravision will continue to rest with Univision and/or two of its largest shareholders. In the end nothing will change.

Univision has repeatedly refused to provide key information so that at this late date the Commission cannot even determine the extent of debt and equity it holds in Entravision. Univision initially claimed that it held no debt in Entravision. "P I pointed out that this was not a true statement. In a letter dated November 29, 2002, the Chief, Video Services asked Univision to "Provide an audited financial statement to support any factual assertions and a detailed showing demonstrating compliance with the Equity/Debt Plus Rule." Univision failed to provide an audited financial statement and only made a cursory attempt to demonstrate that it complies with the EDP rule. Without an audited financial statement the Commission cannot determine the level of debt that Univision or its affiliates still hold in Entravision.

Nor is it possible to determine the true level of Univision's or its affiliates equity ownership in Entravision. As detailed in NHPI's letter of December 16, 2002, Entravision's SEC form DEF 14A shows that Andrew Hobson, Executive Vice President

²³ See, Exhibit 5

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of Univision, holds **211,136** Class **A** shares of Entravision. The DEF **14A** also shows that Michael D. Wortsman, Co-President of Univision Television Group, Inc., holds **56,136** Class **A** shares of Entravision.

Entravision's DEF **14A** reports stock ownership of (1) persons or entities known to be the beneficial owners of more than **5%** of the outstanding shares of stock, (2) each of its directors, and (3) certain key executives of the company. Mr. Hobson and Mr. Wortsman's share holdings were reported because, at the time, they were members of Entravision's board of directors. Entravision's DEF **14A** does not require it to report shares held by Univision insiders unless their individual holdings exceed 5% of the outstanding shares. Thus, in addition to Mr. Hobson and Mr. Wortsman, it is quite possible that other Univision officers and directors hold Entravision shares. Here again Univision has failed to respond or to produce documentation that shows which of its insiders and affiliates own shares in Entravision.

Univision, in its letter of March **11,2003**, claims that the Commission has held that its proposed shareholder rights in Entravision are permissible. The cases Univision cites fail to support its contention. In no case was the minority shareholder capable of controlling a licensee's revenues to the extent proposed by Univision. As stated herein, Univision has the exclusive right to sell national advertising on behalf of Entravision. Likewise, as a Spanish language broadcaster, Univision's network affiliation is critical to Entravision's continued survival. As Entravision states in its **10K** the loss of the Univision network affiliation would result in significant loss of ratings and revenues. In no case cited by Univision has the DOJ determined that a non-voting interest below the EDP threshold would nonetheless have anticompetitive consequences. Further, in the other cases cited the parties candidly set before the Commission all the relevant facts. In this case the Commission does not even know what percentage of debt and equity Univision's officers and affiliate hold in Entravision.

The Commission has repeatedly held that, in the aggregate, the right to control or influence the core operations of a licensee makes the interest attributable.²⁴ The evidence clearly demonstrates that Univision will continue to have the power to influence and control Entravision's corporate affairs. To approve this merger is to approve a combination of the radio station holdings of Entravision, HBC and Clear Channel. Such a combination is not in the public interest and would violate the Commission's multiple ownership rules.

²⁴ *Review of the Commission's Regulations Governing Attribution of Broadcast and Cable/MDS Interests*, 14 FCC Rcd 12559, 12580 (1999). Accord, Roy M. Speer, 11 FCC Rcd 18393 (1996).

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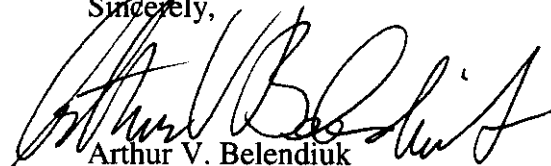
Ms. Barbara A. Kreisman

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According, the Commission should set for hearing the applications for transfer of control of radio station licenses from HBC to Univision.

Sincerely,

A handwritten signature in black ink, appearing to read 'Arthur V. Belendiuk', written over a printed name.

Arthur V. Belendiuk

Enclosure

cc: Elgin FM Limited Partnership
c/o Harry F. Cole, Esquire
Fletcher, Heald & Hildreth, P.L.C.
1300 North 17th Street, 11th Floor
Arlington, VA 22209-3801

Hispanic Broadcasting Corporation
c/o Lawrence N. Cohn, Esquire
Cohn and Marks LLP
1920 N Street, N.W., #300
Washington, D.C. 20036-1622

Univision Communications, Inc.
Scott R. Flick, Esquire
Shaw Pittman LLP
2300 N Street, N.W.
Washington, D.C. 20037-1128

U.S. Department of Justice
c/o John Filippini, Esquire
Antitrust Division
Litigation II Section
1401 H Street, N.W., #3000
Washington, D.C. 20530

Exhibit 1

10-K 1 d10k.htm FORM 10-K

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2002

OR

- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from _____ to _____

Commission File Number 1-15997

ENTRAVISION COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-4783236
(I.R.S. Employer
Identification No.)

2425 Olympic Boulevard, Suite 6000 West
Santa Monica, California 90404
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (310) 447-3870

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

The aggregate market value of voting stock held by non-affiliates of the registrant as of February 5, 2003 was approximately \$510,379,230 (based upon the closing price for shares of the registrant's Class A common stock as reported by The New York Stock Exchange for the last trading date prior to that date).

As of February 5, 2003, there were 70,448,861 shares, \$0.0001 par value per share, of the registrant's Class A common stock outstanding, 27,678,533 shares, \$0.0001 par value per share, of the registrant's Class B common stock outstanding and

21,983,392 shares, \$0.0001 par value per share, of the registrant's Class C common stock outstanding.

Portions of the registrant's Proxy Statement for the 2003 Annual Meeting of Stockholders scheduled to be held on May 15, 2003 are incorporated by a reference in Part III hereof.

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- in August 2002, we acquired the assets of radio station KTCY-FM in Dallas, Texas for \$35 million, giving us five radio stations (three FM and two AM) in the Dallas market;
- in September 2002, we acquired the assets of television station KANG-CA in San Angelo, Texas for \$100,000, giving us both a Univision affiliate and a TeleFutura affiliate in the San Angelo market;
- in October 2002, we acquired the assets of television station WUTH-CA in Hartford, Connecticut from Univision in exchange for the assets of KEAT-LP, Amarillo, Texas, giving us both a Univision affiliate and a TeleFutura affiliate in the Hartford market;
- in December 2002, we acquired the assets of radio station KRRN-FM in Las Vegas, Nevada for approximately \$6.7 million, giving us both a Univision affiliate and a TeleFutura affiliate, as well as two FM radio stations in the Las Vegas market;
- in December 2002, we entered into a definitive agreement to acquire the assets of KSSC-FM, KSSD-FM and KSSE-FM in Los Angeles, California from Big City Radio for \$100 million in cash and approximately 3.77 million shares of our Class A common stock, giving us six FM radio stations in the greater Los Angeles market; and
- in January 2003, we acquired the assets of television stations KTSB-LP, K10OG, K21EX, K28FK and K35ER in Santa Barbara, California from Univision for approximately \$2.5 million, giving us both a Univision affiliate and a TeleFutura affiliate in the Santa Barbara market.

We have a history of net losses that may impact, among other things, our ability to implement our growth strategies. We had net losses of approximately \$10.6 million, \$65.8 million and \$92.2 million for the years ended December 31, 2002, 2001 and 2000, respectively. Please see "Risk Factors," beginning at page 22.

Television

Overview

We own and/or operate Univision-affiliated television stations in 20 of the top 50 Hispanic markets in the United States. Our television operations are the largest affiliate group of the Univision networks. Univision's primary network is the leading Spanish-language network in the United States, reaching more than 97% of all Hispanic households. Univision's primary network is the most watched television network (English- or Spanish-language) among U.S. Hispanic households. Univision's primary network, together with its TeleFutura Network, represent an approximately 81% share of the U.S. Spanish-language network television prime time audience as of December 2002. Univision's networks make available to our Univision-affiliated stations 24-hours a day of Spanish-language programming. Univision's prime time schedule on its primary network consists of substantially all first-run programming throughout the year.

Television Programming

Univision Primary Network Programming. Univision directs its programming primarily toward a young, family-oriented audience. It begins daily with Despierta America and other talk shows, Monday through Friday, followed by novelas. In the late afternoon and early evening, Univision offers a talk show, a news magazine and national news, in addition to local news produced by our television stations. During prime time, Univision airs novelas, variety shows, a talk show, comedies, news magazines and lifestyle shows, as well as specials and movies. Prime time is followed by late news and a late night talk show. Overnight programming consists primarily of repeats of programming aired earlier in the day. Weekend daytime programming begins with children's programming, followed by sports, variety, teen lifestyle shows and movies.

Approximately eight to ten hours of programming per weekday, including a substantial portion of weekday prime time, are currently programmed with novelas supplied primarily by Grupo Televisa and Venevision. Although novelas have been compared to daytime soap operas on ABC, NBC or CBS, the differences are significant. Novelas, originally developed as serialized books, have a beginning, middle and end, generally run five days per week and conclude four to eight months after they begin. Novelas also have a much broader audience appeal than soap operas, delivering audiences that contain large numbers of men, children and teens, in addition to women.

TeleFutura Network Programming. In January 2002, Univision launched a new 24-hour general-interest Spanish-language broadcast network, TeleFutura, to meet the diverse preferences of the multi-faceted U.S. Hispanic community. TeleFutura's programming includes sports (including live boxing, soccer and a nightly wrap-up similar to ESPN's at 11 p.m.), movies (including a mix of English-language movies dubbed in Spanish) and novelas not run on Univision's primary network, as well as

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reruns of popular novelas broadcast on Univision's primary network. TeleFutura offers U.S. Hispanics an alternative to traditional Spanish-language broadcast networks and targets younger U.S. Hispanics who currently watch predominantly English-language programming.

Entravision Local Programming. We believe that our local news brands each of our stations in our television markets. We shape our local news to relate to our target audiences. In eight of our television markets, our local news is ranked first regardless of language in its designated time slot among viewers 18-34 years of age. We have made substantial investments in people and equipment in order to provide our local communities with quality newscasts. Our local newscasts have won numerous awards, and we strive to be the most important community voice in each of our local markets.

Network Affiliation Agreements. Substantially all of our television stations are Univision-affiliated television stations. Our network affiliation agreement with Univision provides certain of our stations with the exclusive right to broadcast Univision's primary network programming in their respective markets. This long-term affiliation agreement expires in 2021, and can be renewed for multiple, successive two-year terms at Univision's option, subject to our consent. Under the affiliation agreement, Univision retains the right to sell approximately six minutes per hour of the available advertising time during the Univision schedule, with the remaining six minutes per hour available for sale by our stations.

Our network affiliation agreement with the United Paramount Network, or UPN, gives us the right to provide UPN network programming for a ten-year period expiring in October 2009 on XUPN-TV serving the Tecate/San Diego market. A related participation agreement grants UPN a 20% interest in the appreciation of XUPN-TV above \$35 million upon certain liquidity events as defined in the agreement.

XHAS-TV broadcasts Telemundo Network Group LLC, or Telemundo, network programming serving the Tijuana/San Diego market pursuant to a network affiliation agreement. Our network affiliation agreement with Telemundo gives us the right to provide Telemundo network programming for a six-year period expiring in July 2007 on XHAS-TV serving the Tijuana/San Diego market. The affiliation agreement grants Telemundo a 20% interest in the appreciation of XHAS-TV above \$31 million, plus capital expenditures and certain other adjustments upon certain liquidity events as defined in the agreement. We also granted Telemundo an option to purchase our ownership interest in KTCD-LP at a purchase price equal to our cost for such interest.

Although our network affiliation agreements have historically been renewed, we cannot guarantee that our current agreements will be renewed in the future under their current terms or at all.

Our joint marketing and programming agreement with Grupo Televisa and certain of its affiliates gives us the right through December 2004 to manage the programming, advertising, sales and certain operations functions of XETV-TV, Channel 6, the Fox network affiliate serving the Tijuana/San Diego market.

Long-Term Time Brokerage Agreements. We operate both XUPN-TV, Channel 13, the UPN network affiliate serving the Tecate, Baja California, Mexico market, and XHAS-TV, Channel 33, the Telemundo network affiliate serving the Tijuana/San Diego market under long-term time brokerage agreements. Under those agreements, we provide the programming and related services available on these stations, but the stations retain absolute control of the contents and other broadcast issues. These long-term time brokerage agreements expire in 2008 and 2030, respectively, and each provides for automatic, perpetual 30-year renewals unless both parties consent to termination. Each of these agreements provides for substantial financial penalties should the other party attempt to terminate without our consent, and they do not limit the availability of specific performance as a remedy for any such attempted early termination.

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Our Television Station Portfolio

The following table lists information concerning each of our owned and/or operated television stations and its respective market:

Market	Market Rank (by Hispanic Households)	Total Households	Hispanic Households	% Hispanic Households	Call Letters, Channel	Programming
Harlingen-Weslaco-Brownsville-McAllen, Texas	10	287,230	232,270	80.9%	KNVO-TV , Channel 48	Univision
Albuquerque-Santa Fe, New Mexico	11	620,230	206,710	33.3%	KLUZ-TV , Channel 41 KTFA-LP , Channel 48	Univision TeleFutura
San Diego, California	12	1,004,220	192,170	19.1%	KBNT-CA , Channel 17 (1) KTCB-LP , Channel 46 KHAX-LP , Channel 49	Univision Telemundo Univision
El Paso, Texas	13	276,330	190,540	69.0%	KINT-TV , Channel 26 KTFN-TV , Channel 65	Univision TeleFutura
Denver-Boulder, Colorado	16	1,366,250	169,750	12.4%	KCEC-TV , Channel 50 KTFD-LP , Channel 36 K03EM , Channel 3	Univision TeleFutura Univision
Washington, D.C.	18	2,169,230	120,560	5.6%	WMDO-CA , Channel 30 (1) WFDC-TV , Channel 14 (2) WJAL-TV , Channel 68	Univision TeleFutura English-Language
Orlando-Daytona Beach-Melbourne, Florida	19	1,224,470	116,920	9.5%	WVEN-TV , Channel 26 WVCI-LP , Channel 63 (3) W62CC , Channel 62 WOTF-TV , Channel 43 (2)	Univision Time Brokered Univision TeleFutura
Tampa-St. Petersburg (Sarasota), Florida	20	1,620,110	116,040	7.2%	WVEA-TV , Channel 62 WVEA-LP , Channel 61 WFTT-TV , Channel 50 (2)	Univision Univision TeleFutura
Boston, Massachusetts	22	2,353,500	102,770	4.4%	WUNI-TV , Channel 27 WUTF-TV , Channel 66 (2)	Univision TeleFutura
Corpus Christi, Texas	23	191,280	95,640	50.0%	KORO-TV , Channel 28 KCRP-CA , Channel 41 (1)	Univision TeleFutura
Las Vegas, Nevada	25	585,440	90,710	15.5%	KINC-TV , Channel 15 KELV-LP , Channel 27 KNTL-LP , Channel 47 KWWB-LP , Channel 45	Univision TeleFutura Univision Univision
Hartford-New Haven, Connecticut	27	980,410	65,900	6.7%	WUVN-TV , Channel 18 WUTH-CA , Channel 47 (1)	Univision TeleFutura
Monterey-Salinas-Santa	29	228,290	61,130	26.8%	KSMS-TV , Channel 67	Univision

Cruz, California					KDJT-CA, Channel 33 (1)	TeleFutura
Laredo, Texas	34	57,940	52,960	91.4%	KLDO-TV, Channel 27	Univision
Yuma, Arizona-El Centro, California	35	96,400	47,550	49.3%	KVYE-TV, Channel 7 KAJB-TV , Channel 54 (2)	Univision TeleFutura
Odessa-Midland, Texas	36	131,800	44,200	33.6%	KUPB-TV, Channel 18	Univision
Colorado Springs-Pueblo, Colorado	37	302,750	44,090	14.6%	KGHB-CA, Channel 27 (1)	Univision
Santa Barbara-Santa Maria-San Luis Obispo, California	38	230,250	42,250	18.3%	KPMR-TV , Channel 38 KTSB-LP, Channel 43 K100G , Channel 10 K21EX, Channel 21 K28FK, Channel 28 K35ER, Channel 35	Univision TeleFutura TeleFutura TeleFutura TeleFutura
Lubbock, Texas	39	149,990	40,830	27.2%	KBZO-LP, Channel 51	Univision
Palm Springs, California	43	119,010	36,870	31.0%	KVER-CA, Channel 4 (1) KEVC-CA, Channel 5 (1) KVES-LP, Channel 28	Univision TeleFutura Univision
Reno, Nevada	55	241,660	24,500	10.1%	KNVV-LP , Channel 41 KNCV-LP , Channel 48	Univision Univision
San Angelo, Texas	73	53,660	13,740	25.6%	KEUS-LP, Channel 31 KANG-CA, Channel 41 (1)	Univision TeleFutura
Tecate, Baja California, Mexico (San Diego)	—	—	—	—	XUPN-TV, Channel 13 (4)	UPN
Tijuana, Mexico (San Diego)	—	—	—	—	XHAS-TV , Channel 33 (4) XETV-TV, Channel 6 (2)	Telemundo Fox

Source: Nielsen Media Research 2003 universe estimates.

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- (1) "CA" in call letters indicates station is under Class A television service.
- (2) We run the sales and marketing operations of this station under a marketing and sales arrangement.
- (3) Operated pursuant to a time brokerage agreement under which we grant to a third party the right to program the station.
- (4) We hold a minority, limited voting interest (neutral investment stock) in the entity that directly or indirectly holds the broadcast license for this station. We have been retained to provide the programming and related services available on this station under a time brokerage agreement. The station retains absolute control of the contents and other broadcast issues.

Television Advertising

Substantially all of the revenue from our television operations is derived from local, national and network advertising.

Local. Local advertising revenue is generated from commercial airtime and is sold directly by the station to an in-market advertiser or its agency. In 2002, local advertising accounted for approximately **52%** of our total television revenue.

National. National advertising revenue represents commercial time sold to a national advertiser within a specific market by Univision, our national representative firm. For these sales, Univision is paid a **15%** commission on the net revenue from each sale (**gross** revenue less agency commission). We target the largest national Spanish-language advertisers that collectively purchase the greatest share of national advertisements **through** Univision. The Univision representative works closely with each station's national sales manager. This has enabled us to secure major national advertisers, including **Ford** Motor Company, General Motors, Nissan, Toyota, McDonald's, Burger King and Verizon. We have a similar national advertising representative arrangement with Telemundo. XUPN/XETV are represented by Blair Television Inc. In 2002, national advertising accounted for approximately **46%** of our total television revenue.

Network. Network compensation represents compensation for broadcasting network programming in two television markets. In 2002, network advertising accounted for approximately 2% of our total television revenue.

Television Marketing/Audience Research

We derive our revenue primarily from selling advertising time. The relative advertising rates charged by competing stations within a market depend primarily on four factors:

- the station's ratings (households or people viewing its programs as a percentage of total television households or people in the viewing area);
- audience share (households or people viewing its programs as a percentage of households or people actually watching television at a specific time);
- the time of day the advertising will run; and
- the demographic qualities of a program's viewers (primarily age and gender).

Nielsen ratings provide advertisers with the industry-accepted measure of television viewing. In recent years, Nielsen began a special service to measure Hispanic viewing. Nielsen has introduced improved methodology to its general market service that more accurately measures Hispanic viewing by using language spoken in the home in its metered market sample. Nielsen has also committed to add weighting by language spoken in Hispanic metered market households. We believe that these new methodologies will result in substantial ratings gains and allow us further to increase our advertising rates and narrow any disparities that have historically existed between English-language and Spanish-language advertising rates. We have made significant investments in experienced sales managers and account executives and have provided our sales professionals with research tools to continue to attract major advertisers.

The Nielsen rating services that we use are described below:

- **Nielsen Hispanic Station Index.** This service measures Hispanic household viewing at the local market level. Each sample also reflects the varying levels of language usage by Hispanics in each market in order to reflect more accurately the Hispanic household population in the relevant market. Nielsen Hispanic Station Index only measures the audience viewing of Hispanic households, that is, households where the head of the household is of Hispanic descent or origin. Although this offers improvements over previous measurement indices, we believe that it still under-reports the number of viewers watching our programming because we have viewers who do not live in Hispanic households.

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rating service, however, is not language-stratified and generally under-represents Spanish-speaking households. As a result, we believe that this typically under-reports viewing of Spanish-language television. Despite this limitation, the Nielsen Station Index demonstrates that many of our full-power broadcast stations achieve total market ratings that are fully comparable with their English-language counterparts, with six of our full-power television stations ranking as the top station in their respective markets in prime time among viewers 18-34 years of age.

Television Competition

We face intense competition in the broadcasting and cable business. We compete for viewers and revenue with other Spanish-language and English-language television stations, including local affiliates and owned and operated stations of the four principal English-language television networks, **ABC**, **CBS**, **NBC** and **Fox** and, in certain cities, **UPN** and the **WB**. In certain markets (other than San Diego), we also compete with the local affiliates or owned and operated stations of **Telemundo**, the second largest Spanish-language television network, and **TV Azteca**, the second largest producer of Spanish-language programming in the world. In addition, several cable broadcasters have recently commenced or announced their intention to begin Spanish-language services as well. We also compete for viewers and revenue with independent television stations, other video media, suppliers of cable television programs, direct broadcast systems, newspapers, magazines, radio and other forms of entertainment and advertising.

We believe that our primary competitive advantage is the quality of the programming we receive through our affiliation with Univision. Over the past five years, Univision's programming has consistently ranked first in prime time television among all U.S. Hispanic adults. In addition, Univision's primary network has maintained superior audience ratings among all U.S. Hispanic adults when compared to both Spanish-language and English-language broadcast networks, as shown below:

Network	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
Univision	20.4	23.1	20.4	19.6	19.4
ABC	4.9	4.7	5.1	4.2	3.5
CBS	3.6	3.3	3.4	3.4	3.0
NBC	5.1	4.6	4.7	4.0	3.9
Fox	6.1	6.0	5.2	5.3	4.6
Telemundo	2.9	2.5	4.0	4.9	5.3

Source: NHTI (full broadcast seasons)

Because of the strength of the programming supplied to us by Univision, each of our stations broadcasting Univision's primary network is ranked number one in its market among Hispanic adults.

Telemundo is a competitor that broadcasts Spanish-language television programming. As of December 31, 2002, **Telemundo** had total coverage reaching approximately 88% of all Hispanic households in their markets. In some of our markets, we compete directly with stations affiliated with **Telemundo**. With the acquisition of **Telemundo** by **NBC** in 2002, we believe that **Telemundo** will compete with us more effectively over time.

We also benefit from operating in four different media: television, radio, outdoor and publishing. While we have not engaged in any significant cross-selling program, we do take advantage of opportunities for cross-promotion of our stations and other media outlets.

The quality and experience of our management team is a significant strength of our company. However, our growth strategy may place significant demands on our management, working capital and financial resources. We may be unable to identify or complete acquisitions due to strong competition among buyers, the high valuations of media properties and the need to raise additional financing and/or equity.

Many of our competitors have more stations than we have, and may have greater resources than we do. While we compete for acquisitions effectively within many markets and within a broad price range, our larger competitors nevertheless may price us out of certain acquisition opportunities.

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Risk Factors

Risks Related **To** Our Business

We have a history of losses that, if continued, could adversely affect the market price of our securities and our ability to raise capital.

We had net losses of approximately \$10.6 million, \$65.8 million and \$92.2 million for the years ended December 31, 2002, 2001 and 2000, respectively. In addition, we had pro forma net losses applicable to common stock of \$88.8 million for the year ended December 31, 2000. We had net losses applicable to common stock of \$20.8 million, \$75.9 million and \$94.7 million for the years ended December 31, 2002, 2001 and 2000, respectively. If we cannot generate profits in the future, our failure to do so could adversely affect the market price of our securities, which in turn could adversely affect our ability to raise additional equity capital or to incur additional debt.

If we cannot raise required capital, we may have to curtail existing operations and our future growth through acquisitions.

We may require significant additional capital for future acquisitions and general working capital and debt service needs. If our cash flow and existing working capital are not sufficient to fund future acquisitions and our general working capital and debt service requirements, we will have to raise additional funds by selling equity, refinancing some or all of our existing debt or selling assets or subsidiaries. None of these alternatives for raising additional funds may be available on acceptable terms to us or in amounts sufficient for us to meet our requirements. In addition, our ability to raise additional funds is limited by the terms of our bank credit facility and the indenture governing our senior subordinated notes. Our failure to obtain any required new financing may prevent future acquisitions.

Our substantial level of debt could limit our ability to grow and compete.

As of December 31, 2002, we had approximately \$66 million of debt outstanding under our bank credit facility, and \$225 million principal amount of our senior subordinated notes. In addition, we expect to draw down from our bank credit facility to pay the cash portion of the total consideration to be paid to Big City Radio, Inc. to acquire its Los Angeles area radio stations.

A significant portion of our cash flow from operations will be dedicated to servicing our debt obligations, and our ability to obtain additional financing may be limited. We may not have sufficient future cash flow to meet our debt payments, or we may not be able to refinance any of our debt at maturity. We have pledged substantially all of our assets to our lenders as collateral. Our lenders could proceed against the collateral to repay outstanding indebtedness if we are unable to meet our debt service obligations. If the amounts outstanding under our bank credit facility are accelerated, our assets may not be sufficient to repay in full the money owed to such lenders.

Our substantial indebtedness could have important consequences to our business, such as:

- limiting our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our growth strategy or other purposes; and
- placing us at a disadvantage compared to those of our competitors who have less debt.

The indenture for the senior subordinated notes and the credit agreement governing our bank credit facility contain various covenants that limit management's discretion in the operation of our business and could limit our ability to grow and compete.

The indenture governing our senior subordinated notes and the credit agreement governing our bank credit facility contain various provisions that limit our ability to:

- incur additional debt and issue preferred stock;
- pay dividends and make other distributions;
- make investments and other restricted payments;
- create liens;
- sell assets; and

- enter into certain transactions with affiliates.

These provisions restrict management's ability to operate OUT business in accordance with management's discretion and could limit OUT ability to grow and compete.

If we fail to comply with any of our financial covenants or ratios under our financing agreements, our lenders could

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- elect to declare all amounts borrowed to be immediately due and payable, together with accrued and unpaid interest; and/or
- terminate their commitments, if any, to make further extensions of credit.

In addition, a breach of some of the restrictions or covenants under the indenture governing the senior subordinated notes, or ~~an~~ acceleration by our senior secured lenders of our obligations to them, would cause a default under the senior subordinated notes. We may not have, or be able to obtain, sufficient funds to make accelerated payments, including payments on the senior subordinated notes, or to repay the senior subordinated notes in full after we pay our senior ~~secured~~ lenders to the extent of their collateral.

Any failure to maintain our FCC broadcast licenses could cause a default under our bank credit facility and cause an acceleration of our indebtedness.

Our bank credit facility requires us to maintain our FCC licenses. If the FCC were to revoke any of our material licenses, our lenders could declare all amounts outstanding under the bank credit facility to be immediately due and payable. If our indebtedness is accelerated, we may not have sufficient funds to pay the amounts owed.

Cancellations or reductions of advertising could adversely affect our results of operations.

We do not obtain long-term commitments from our advertisers, and advertisers may cancel, reduce or postpone orders without penalty. Cancellations, reductions or delays in purchases of advertising could adversely affect our revenue, especially if we are unable to replace such purchases. Our expense levels are based, in part, on expected future revenue and are relatively fixed once set. Therefore, unforeseen fluctuations in advertising sales could adversely impact our operating results.

Univision's ability to exert significant influence over our business may make some transactions difficult or impossible to complete without Univision's support.

Univision, as the holder of all of our Class C common stock, currently has the ability to exert significant influence over certain material decisions relating to our business. This influence includes the right to elect two of our directors and the right to approve certain material decisions involving our company, including any merger, consolidation or other business combination, any dissolution of our company and any assignment of the FCC licenses for any of our Univision-affiliated television stations. In connection with Univision's proposed merger with Hispanic Broadcasting Corporation, the two Univision-elected directors resigned from our ~~board~~ of directors in August 2002 to avoid any potential conflict of interest arising out of that transaction, and those board seats have remained vacant since that time. Univision's ownership interest may have the effect of delaying, deterring or preventing a change in control of our company and may make some transactions more difficult or impossible to complete without Univision's support.

If Univision is required to sell all or a portion of its equity interest in our company, the market price of our securities could be adversely affected.

In connection with their proposed merger, Univision and Hispanic Broadcasting Corporation are currently in discussions with the Department of Justice and the FCC regarding the conditions, if any, that must be met to obtain those agencies' approvals of the transaction. We understand that one of the issues being discussed in this process is Univision's equity interest in our company. If Univision is required to divest a significant portion of its equity interest in us, such sale could depress the market value of our Class A common stock.

Our television ratings and revenue could decline significantly if our affiliation relationship with Univision or Univision's programming success changes in an adverse manner.

If our affiliation relationship with Univision changes in an adverse manner, or if Univision's programming success diminishes, our ability to generate television advertising revenue on which our television business depends could be negatively affected. Univision's ratings might decline or Univision might not continue to provide programming, marketing, available advertising time and other support to its affiliates on the same basis as currently provided. Additionally, by aligning ourselves closely with Univision, we might forego other opportunities that could diversify our television programming and avoid dependence on Univision's television networks. Univision's relationships with Grupo Televisa, S.A. de C.V. and Corporación Venezolana de Televisión, C.A., or Venevisión, are important to Univision's, and consequently our, continued success.

Because three of our directors and officers, and stockholders affiliated with them, hold the majority of our voting power, they can ensure the outcome of most matters on which our stockholders vote.

As of December 31, 2002, Walter F. Ulloa, Philip C. Wilkinson and Paul Zevnik, each of whom is a director and officer

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ENTRAVISION COMMUNICATIONS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Latin Communications Group Inc.

In an April 2000 business combination, the Company acquired all of the outstanding capital stock of Latin Communications Group Inc. ("LCG") for approximately \$256 million, plus the assumption of certain liabilities. LCG operated 17 radio stations located in California, Colorado, New Mexico and Washington D.C. and also owned and operated two Spanish-language publications. In connection with this acquisition, the Company issued a \$90 million convertible subordinated note. The subordinated note contained two conversion rights, a voluntary option to the holder at any time after December 31, 2000 and the second automatically upon the effectiveness of the IPO and the Exchange Transaction. Effective with the Exchange Transaction, as discussed in Note 1, the subordinated note converted into 5,865,102 shares of Series A mandatorily redeemable convertible preferred stock of the Company.

In connection with the conversion of a \$90 million convertible subordinated note, the Company recorded non-cash interest expense of approximately \$8.1 million during the year ended December 31, 2000. Upon conversion, the carrying value of the note, net of the unamortized beneficial conversion discount of \$1.4 million, was recorded as Series A mandatorily redeemable convertible preferred stock (see Note 10).

Z-Spanish Media Corporation

In an August 2000 business combination, the Company acquired all of the outstanding capital stock of Z-Spanish Media Corporation ("Z-Spanish Media"). Z-Spanish Media owned 33 radio stations and an outdoor billboard business. The purchase price, as amended, consisted of approximately \$222 million in cash, 7,187,888 shares of newly-issued Class A common stock of the Company after the reorganization as discussed in Note 1, and the assumption of certain liabilities, including approximately \$110 million of outstanding debt and \$2.4 million in connection with the December 2000 settlement with Hispanic Broadcasting Corporation to satisfy a contract dispute in a proposed exchange of certain radio stations between the parties.

In connection with this acquisition, the Company issued approximately 1.5 million stock options to purchase its Class A common stock in exchange for Z-Spanish Media's previously outstanding stock options. In connection with these stock options, the Company also recorded as additional purchase price approximately \$12.4 million for the excess of the estimated fair value over the intrinsic value of the unvested options.

During 2001, the Company finalized its purchase price allocation for the Z-Spanish Media acquisition in which approximately \$176.4 million was reclassified from goodwill to the radio network intangible asset. As a result, deferred tax liabilities increased approximately \$70.6 million, with a corresponding increase in goodwill. Effective January 1, 2002, upon the adoption of SFAS No. 142, the radio network intangible asset, net of the deferred tax liabilities, was reclassified to goodwill (see Notes 3 and 14).

Citicasters Co.

In August 2000, the Company acquired the FCC licenses of radio stations KACD(FM) Santa Monica, California, and KBCE(FM), Newport Beach, California, from Citicasters Co., a subsidiary of Clear Channel Communications, Inc., for approximately \$85 million in cash. Management determined that the transferred set of activities, assets inputs and processes did not constitute a business.

Radio Stations KFRQ(FM), KKPS(FM), KVPA(FM) and KVLV(FM)

In a September 2000 business combination, the Company acquired certain assets relating to the operations of radio stations KFRQ(FM), KKPS(FM), KVPA(FM) and KVLV(FM), each in McAllen, Texas, from Sunburst Media, LP for \$55 million in cash.

Exhibit 2

DECLARATION


I, Mirta de Armas, under penalty of perjury hereby declare as follows:

I am a resident of Miami, Florida. I am the Media Manager for Telemundo Network Group, which is the licensee of television stations located throughout the United States.

When I began as Telemundo Media Manager in September 2000, the rep firm Caballero Spanish Media told me that Telemundo could not advertise on the Entravision Holdings, LLC Denver radio stations because there was a conflict of interest since Entravision was the licensee of Station KCEC-TV, a Univision affiliate in the Denver market. After the merger of Lotus and Entravision to create a rep firm (LER), Telemundo was able to place advertising on the Entravision radio stations in September and October 2001. However, the Telemundo advertising campaign during the November 2001 sweeps was not allowed to run on the Entravision radio stations.

LER stated to me that Univision had been responsible for the decision to remove our advertising from the Entravision stations during the sweeps because Telemundo was a television Competitor. In January 2002 Telemundo was able to continue its advertising on the Entravision radio stations.

Respectfully submitted,


Mirta De Armas

March 14, 2003

Exhibit 3

HISPANIC BUSINESS

MAY 2000 • \$3.25

THE HISPANIC MARKET
By Carlos A. Rodriguez, author of "The Hispanic Market: Opportunities and Challenges in the 21st Century"

When it comes to the Hispanic market, the question is not if, but when. The Hispanic market is a vast and growing market, and it is one that is being increasingly recognized by businesses and investors alike. The Hispanic market is a market that is growing at a rapid pace, and it is one that is being increasingly recognized by businesses and investors alike. The Hispanic market is a market that is growing at a rapid pace, and it is one that is being increasingly recognized by businesses and investors alike.

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"In the classic language of anti-trust, they are extending market dominance from one industry to another. That's what Microsoft was accused of."

— Luke Freeb,
 former Justice Department
 anti-trust official

The Hispanic market is a market that is growing at a rapid pace, and it is one that is being increasingly recognized by businesses and investors alike. The Hispanic market is a market that is growing at a rapid pace, and it is one that is being increasingly recognized by businesses and investors alike. The Hispanic market is a market that is growing at a rapid pace, and it is one that is being increasingly recognized by businesses and investors alike.

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Exhibit 4

Total Hispanic Radio Revenues for 2001

Top 10 Markets

Amounts in millions

Market	Total Spanish Radio	HBC	% of Total		% of Total	HBC + EVC	% of Total
Los Angeles	\$ 130.9	\$ 74.2	57%	\$	9%	\$ 86.4	66%
Miami	\$ 73.2	\$ 36.5	60%	\$	1%	\$ 36.9	50%
New York	\$ 64.2	\$ 11.7	18%	5	0%	\$ 11.7	18%
Houston	\$ 51.3	\$ 36.0	70%	\$ -	0%	\$ 36.0	70%
Chicago	\$ 39.6	\$ 19.4	49%	\$ 2.6	7%	\$ 22.0	56%
San Francisco/ San Jose	\$ 29.4	\$ 12.7	43%	\$ 13.4	46%	\$ 26.1	89%
San Antonio	\$ 23.9	\$ 18.8	79%	\$ -	0%	\$ 18.8	79%
Dallas	\$ 20.3	\$ 14.2	70%	\$ 4.7	23%	\$ 18.9	93%
McAllen-Brownsville-Harlingen	\$ 14.3	\$ 4.7	33%	\$ 7.3	51%	\$ 12.0	84%
Phoenix	\$ 11.6	\$ 7.4	64%	6 3.1	27%	\$ 10.5	91%
	\$ 458.6	\$ 295.6	51%	\$ 43.7	10%	\$ 279.2	61%

NOTE Figures from BIA 2002.

Exhibit 5

27 February 2003

Jessica Reif Cohen
First Vice President

Keith Fawcett
Director

Univision Communications Inc.

DoJ Approval Attained

BUY

Reason for Report: Company Update

Volatility Risk:
HIGH

Company

UVN; \$23.05; C-1-9

12-Month Price Objective: \$35.00 (23-Jan-2003)

GAAP EPS (Dec): 2001A \$0.23; 2002E \$0.31; 2003E \$0.47

P/E (Dec): 2001A 102.8x; 2002E 76.3x; 2003E 50.3x

Event / Analysis

Univision and Hispanic Broadcasting (HSP; NR; \$20) announced that they have reached a tentative agreement with the Department of Justice with respect to their merger. In order to comply with the approval Univision must:

1. Convert all of its shares of capital in Entravision Communications (EVC; \$7; C-2-9) into a new class of non-voting preferred stock with limited voting rights. Univision will retain voting rights with respect to a merger or sale of Entravision as well as the sale of any TV station affiliated with a Univision owned network.
2. Over the next 6 years, Univision must sell enough of its stake in Entravision so that it does not own more than 15% of Entravision at the end of three years from the closing date (2006) and no more than 10% at the end of six years (2009). Univision currently owns 27%, or roughly 37 million shares, of Entravision.

The DoJ agreement has no impact on Univision's existing TV station affiliation agreement with Entravision. Pending shareholder and FCC approval, the deal is expected to close on March 14, 2003. Both companies shareholder meetings are scheduled for February 28".

We are pleased by the DoJ decision and believe that once the merger closes Univision will work expeditiously to achieve its "synergy" projections of \$5 million in expenses and \$8 million in revenues in the first year of operation.

We believe that several potential suitors will emerge for Univision's 17% stake in Entravision possibly including Televisa and Clear Channel.

Separately, yesterday, Televisa reported its 2002 royalty fee that it received from Univision's which totaled \$77.7 million. Under the terms of the programming agreement, Televisa is entitled to 9% of the base revenue. Adjusting for the effect of the World Cup, Televisa's results imply that Univision's Q4 and YE02 results will be at the upper end of management guidance and in line with our estimates.

Recommendation/ Investment Thesis

We maintain our Buy rating on Univision. The company is trading at 17x 03E EBITDA, pro forma for the pending Hispanic merger. Our price objective is \$35 per share, based on 18x 04E EBITDA. We are projecting average annualized 20%-25% gains in EBITDA over the next three years, led by startup ventures in broadcast and cable television. The risk to our price objective is a cyclical downturn.

Refer to important disclosures at the end of this report.

Merrill Lynch Global Securities Research & Economics Group
Global Fundamental Equity Research Department

Investors should assume that Merrii Lynch Is seeking or will seek investment banking or other business relationships with the companies in this report.

RC#10105837